

Sustainability Ranking

Belgium drops from 12th to 13th place in the ranking and is among the lowest ranked eligible countries

Petercam has published its bi-annual sustainable ranking of OECD countries. This ranking analyses the sustainable character of the policies put in place according to 55 sustainability criteria pertaining to the environment, transparency, health care, education and the economy. Petercam attaches great importance to the relevance of its model, and hence has introduced two new indicators, namely the density of medical staff and a trend criterion gauging the dynamics within various domains we study. The latter aims to identify countries making sustained efforts to maintain their leadership position, as well as those making good progress in certain domains despite a sub-par initial ranking.

Norway heading the Scandinavian countries

Once again, the Scandinavian countries, especially Norway and Sweden, lead the ranking while Switzerland and Iceland occupy the third and fifth place. Norway firmly holds the top spot. Over the past few years, and despite its first place, Norway has exhibited a better trend on the retained criteria than its neighbouring country Sweden (see table 1).

Germany climbing the ranking to the 7th place

Germany, which is considered as an example in the Eurozone in terms of budgetary discipline and public finances, has also climbed in the ranking. This is primarily due to its commitment to the environment. Germany already scored well in that domain but continues to reduce its ecological footprint and energy consumption. It is also one of the leaders in terms of the climate change performance index.

In terms of transparency and democratic values, the country has also improved its ranking notably by efforts made in terms of corruption index and press freedom. In terms of education, the country has also gained one place notably due to its allocated resources to research and development in terms of people and expenditures. Nevertheless, the situation regarding health and wealth distribution has slightly deteriorated in relative terms. Indeed, the GINI coefficient is quite good in the country but the fertility rate, among the lowest of the OECD universe and the increasing age dependency ratio weigh on the German score.

Salient results of OECD member states

In the light of the Eurozone sovereign crisis, this ranking provides some interesting insights. *“Countries such as **Spain, Italy, Ireland, Portugal** and **Greece** have seen their credit ratings lowered by several notches over the past two years. It is interesting to see that those countries already scored poorly in the 2007 ranking, and were thus not allowed in the eligible universe of our SRI government bond strategy. We also see that these countries have a relatively stable ranking, with the exception of Ireland. Since the first sustainability ranking was put in place, Greece is among the bottom three positions alongside Mexico and Turkey. Italy and Spain have remained relatively stable, even though the latter has profited from Slovakia’s relegation to climb a couple of places in the ranking,”* argues Ophélie Mortier.

Ireland has gained two places in the ranking and has shown economic progress, especially in terms of competitiveness but also in terms of its environmental score, as its climate change index has improved.

France exhibits some inertia, notably in terms of corruption and participation in higher education.

‘Value-for-money index’ for taxpayers

Concomitantly with its sustainable country ranking, Petercam also calculates the ‘value-for-money’ index for taxpayers, which compares the sustainability of a country with the fiscal pressure borne by its taxpayers (see table 2). Switzerland tops this list. Indeed, for a level of sustainability equalling that of the Scandinavian countries often mentioned in various models, the tax rate for Swiss citizens and companies is significantly lower.

With the economic and financial crisis obliging governments to lower spending and increase their revenues, the fiscal pressure in Belgium has risen over the past few years. Combined with a falling sustainability score, Belgium remains one of the worst positioned countries in terms of sustainable output and the high tax level. Note that some countries with a weak sustainability scoring such as the United States nonetheless have a good overall score because their tax rate is among the lowest.

Germany remains well placed in terms of ‘value-for-money index’ i.e. there is a good balance between the level of taxation in the country compared to the living quality in terms of democracy, environment, education, healthcare & wealth distribution combined with relatively sustainable economic indicators.

The generation of double alpha of the fund Petercam L Bonds Government Sustainable

The sustainability filter has made it possible to identify the leaders in terms of commitment to its current and future citizens, to environmental matters and to international engagements. Nonetheless, the excellent performance of the Petercam L Bonds Government Sustainable fund (see graph) is also attributable to the long-standing expertise of Petercam in selecting issuers and issues and in terms of duration management of the portfolio.

“In the current low-yielding environment, it is not always easy to identify alpha sources without taking excessive risks. This is where the fund’s added value comes in: on the one hand it exhibits superior performance to a traditional Eurozone sovereign universe, on the other, its volatility is remarkably lower than more limited very high-quality universes to which investors have flocked over the past two years,” explains Hugo Lasat, Partner et Head of Institutional Asset Management. (see graph).

For the second consecutive year, the fund has obtained the French SRI Novethic label, which is granted to responsible investment products.

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Sustainable & Responsible Investments

Attachments (3):
 Table 1: Sustainability ranking of OECD countries
 Table 2: Ranking of the 'value-for-money' index for taxpayers
 Graph: Annualised performance and volatility of the Petercam L Bonds Government Sustainable fund

Table 1: Sustainability ranking of OECD countries

Sept.12		Scores Sept.12	March 11	Sept.12	Maart 12		Scores
1	Norway	79	1	17	19	Ireland	60
2	Sweden	75	2	18	15	Slovenia	59
3	Switzerland	75	3	19	23	Spain	59
4	Finland	73	5	20	20	Japan	59
5	Iceland	72	4	21	22	Portugal	59
6	Denmark	71	6	22	18	Slovakia	58
7	Germany	70	9	23	25	Italy	58
8	Austria	69	7	24	24	Czech Republic	57
9	New Zealand	69	8	25	26	Estland	53
10	The Netherlands	68	10	26	28	Poland	53
11	Luxembourg	66	11	27	27	Hungary	51
12	Canada	65	14	28	30	US	51
13	Belgium	64	12	29	29	Chili	49
14	UK	64	17	30	31	Greece	48
15	France	64	13	31	32	Mexico	42
16	Australia	64	16	32	33	Turkey	40

Please note that Israel has been excluded because of violations of international treaties. South Korea is also excluded from the ranking because data on several important criteria is missing.

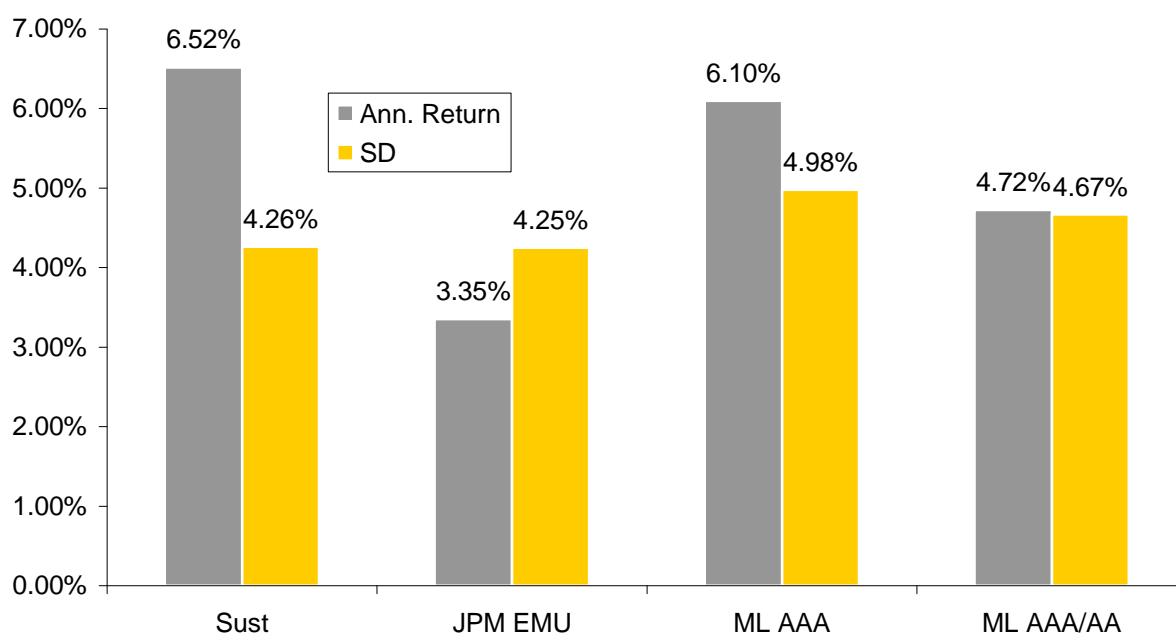
Table 2: Ranking of the 'value-for-money' index for taxpayers

		Scores			Scores
1	Switzerland	2.14	16	Austria	1.43
2	Australia	1.97	17	Czech Republic	1.40
3	Slovakia	1.77	18	Portugal	1.40
4	Japan	1.76	19	Estonia	1.39
5	New-Zealand	1.76	20	Finland	1.36
6	Iceland	1.70	21	Norway	1.34
7	Ireland	1.69	22	Poland	1.33
8	Canada	1.69	23	Slovakia	1.32
9	Spain	1.63	24	Denmark	1.27
10	VS	1.57	25	Belgium	1.27
11	Germany	1.57	26	France	1.24
12	Luxembourg	1.57	27	Italy	1.18
13	UK	1.56	28	Greece	1.17
14	Netherlands	1.47	29	Hungary	1.14
15	Sweden	1.45			

Chili, Mexico and Turkey: data not available

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Graph: Annualised performance and volatility of the Petercam L Bonds Government Sustainable fund on a three-year rolling basis as per the end of August 2012


About Petercam

Petercam is an independent investment firm specializing in private asset management and estate planning, in institutional asset management and in investment banking activities (corporate finance and intermediation in equities and bonds).

In Belgium, Petercam operates from offices in Brussels (headquarters), Antwerp, Ghent, Hasselt, Knokke, Leuven, Liège, Roeselare and Wavre. At international level, Petercam is active in the United States and in Europe with branches in Germany, Luxemburg, Spain, the Netherlands and Switzerland.

As at 31 December 2011, Petercam employed 450 people and managed assets totaling approx. 13.2 billion euros for private and institutional clients, companies and public institutions.

www.petercam.com

Petercam was named “Best Private Banking in Belgium 2012” by Euromoney.